

NCA
VOC FOR PGM/FN
BACKGROUNDER NO. 5-6317
LARRY LESUEUR

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ALFRED KAHN: TOUGH, WITH A SENSE OF HUMOR

ANNCR:

PRESIDENT CARTER'S NEW CHIEF INFLATION FIGHTER--ALFRED KAHN--
IS NOT AFRAID TO TAKE ON TOUGH NEW CHALLENGES AS VOA'S LARRY
LESUEUR POINTS OUT IN THIS BACKGROUND REPORT.

VOICE:

TRAVELERS ON U.S. PASSENGER AIRPLANES HAVE REASON TO
APPRECIATE THE CARTER ADMINISTRATION'S TOP ADVISOR IN THE ANTI-
INFLATION BATTLE. DURING HIS BRIEF CHAIRMANSHIP OF THE U.S.
CIVIL AERONAUTICS BOARD ECONOMIST ALFRED KAHN REMOVED MOST OF
THE LONG-STANDING FARE-SETTING REGULATIONS WHICH HAD GOVERNED
THE U.S. AIRLINES INDUSTRY, EMPHASIZING THE NEED FOR COMPETITION.
AS A RESULT, THE PRICE OF AIRLINE TICKETS PLUMMETED, YET U.S.
AIRLINES ARE NOW CARRYING MORE PASSENGERS THAN EVER BEFORE.

PRESIDENT CARTER WAS SO IMPRESSED WITH THE CORNELL
UNIVERSITY ECONOMICS PROFESSOR'S PERFORMANCE THAT HE ASKED
DOCTOR KAHN TO HEAD THE ALL-IMPORTANT U.S. ANTI-INFLATION PROGRAM.
THE NEW JOB OF THE SIXTY-ONE YEAR OLD FORMER UNIVERSITY DEAN,
WILL BE TO CO-ORDINATE A NATION-WIDE VOLUNTARY EFFORT TO RESTRAIN
FUTURE PRICE-AND-WAGE INCREASES.

THE KEY WORD IS "VOLUNTARY." PRESIDENT CARTER HAS PLEDGED
NOT TO ENACT MANDATORY PRICE-AND-WAGE CONTROLS. THE CARTER
ADMINISTRATION IS KEENLY AWARE THAT EVEN A WHISPER OF THE
WORDS MANDATORY PRICE-AND-WAGE CONTROLS COULD MAKE BUSINESS AND
LABOR RUSH TO RAISE THEIR PRICES AND WAGE DEMANDS IN ADVANCE OF
COMPULSORY CONTROLS.

SO THE NEW PRICE-WAGE CHIEF'S PRINCIPAL ANTI-INFLATION
WEAPON MAY WELL BE SIMPLY PUBLIC PRESSURE. AND IN AN OPEN

SOCIETY PUBLIC PRESSURE CAN OFTEN PROVE HIGHLY POTENT. THE MOST POWERFUL U.S. INDUSTRIES AND UNIONS ARE ALWAYS SENSITIVE TO ANY UNFAVORABLE EXPOSURE IN THE PRESS OR BROADCASTING MEDIA.

HOWEVER, ONE ADMINISTRATION CRITIC, ALAN GREENSPAN, WHO WAS PRESIDENT NIXON AND PRESIDENT FORD'S CHIEF ECONOMIC ADVISER, CONTENDS THAT THE ANTI-INFLATION GUIDELINES WHICH WILL EMERGE FROM DOCTOR KAHN'S COUNCIL ON WAGE AND PRICE STABILITY WILL NOT BE TRULY VOLUNTARY. ACCORDING TO MR. GREENSPAN THEY WILL BE INDISTINGUISHABLE FROM MANDATORY PRICE-AND-WAGE CONTROLS. SO SAYING, MISTER GREENSPAN JOINED THE CHORUS OF CRITICS CHARGING THAT DOCTOR KAHN HAS TAKEN ON A "NO-WIN" (AN IMPOSSIBLE) ASSIGNMENT. BUT, SO FAR, IN HIS RELATIVELY BRIEF GOVERNMENT CAREER, DOCTOR KAHN HAS PROVED BOTH TOUGH-MINDED AND RESILIENT.

IN FACT, IT'S UNDERSTOOD THAT HE TURNED THE WIDE-SPREAD CRITICISM OF HIS NEW POSITION TO SOME ADVANTAGE BY ASKING AND OBTAINING AN ALMOST FREE HAND FROM THE WHITE HOUSE TO RUN THE ANTI-INFLATION PROGRAM.

DOCTOR KAHN IS OUTSPOKEN. RECENTLY, HE CAUSED THE WHITE HOUSE STAFF SOME UNHAPPINESS BY PUBLICLY WARNING THAT IF AMERICANS DID NOT CO-OPERATE TO HELP CURB INFLATION THERE COULD BE A DEEP DEPRESSION. HIS USE OF THE WORD "DEPRESSION" UPSET OTHER OFFICIALS. BUT MR. KAHN DID NOT RETRACT HIS REMARKS. INSTEAD, HE REPEATED THEM, USING HIS NOW CELEBRATED SENSE OF HUMOR, SUBSTITUTING THE WORD "BANANA" FOR DEPRESSION -- A WHIMSICAL APPROACH CONVENTIONAL BUREAUCRATS WOULD NEVER THINK OF.

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WJL/RD